

Advisory Notice

Clearing House

NP 10-09

TO: Clearing Member Firms
Back Office Managers
Service Bureaus

FROM: CME Group NY Division Clearing

SUBJECT: **Launch of Ten (10) Wet Freight Forwards**

DATE: May 17, 2010

Please be advised that beginning on Sunday, June 6, 2010 for trade date Monday, June 7, 2010, the New York Mercantile Exchange, Inc. NYMEX will list the following ten (10) new wet tanker freight forward contracts for submission for clearing through CME ClearPort®. The specifications for these products are attached and the product codes are described below:

<u>Product</u>	<u>Code</u>	<u>Listing Period</u>
Freight Route TD3 (Baltic) Forward	FT3	Current year + following 2 years
Freight Route TD5 (Baltic) Forward	FT5	Current year + following 2 years
Freight Route TD7 (Baltic) Forward	FT7	Current year + following 2 years
Freight Route TD9 (Baltic) Forward	FB9	Current year + following 2 years
Freight Route TD10D (Baltic) Forward	FDD	Current year + following 2 years
Freight Route TC1 (Platts) Forward	FPA	Current year + following 2 years
Freight Route TC2 (Baltic) Forward	FC2	Current year + following 2 years
Freight Route TC4 (Platts) Forward	FC4	Current year + following 2 years
Freight Route TC5 (Platts) Forward	FC5	Current year + following 2 years
Freight Route TC6 (Baltic) Forward	FC6	Current year + following 2 years

Please Note:

These products will have several unique attributes which are described below:

Contract Pricing:

Prices in each of the ten new wet tanker freight forward contracts will be expressed as a percentage of the Worldscale flat rate, published by the Worldscale Association, prevailing during the settlement period for the delivery month, as defined in the rules.

The minimum price interval that shall be observed in respect of traded prices and daily settlement prices shall be 0.001%. The value per tick will be dependent on the Worldscale flat rate prevailing during the settlement period.

The minimum price interval that shall be observed in respect of final settlement prices shall be 0.0001%. The decimal locator in the SPAN file and settlement price file will be four (4). There will be four implied decimal places in prices, to support the precision needed for final settlement prices.

Contract Multiplier: the contract size is 1,000 tons. Since the price is specified as a percentage of the applicable Worldscale rate, therefore the Contract Value Factor is 10 times the applicable Worldscale rate. For example, for the FT3 contracts, the Worldscale FT3 rate is \$19.50 and hence the contract value factor is \$195.00. Note that the Worldscale rates are updated once per year and occasionally more often. When the rate for a particular contract is updated, CME Clearing will advise market participants, and they will need to update the contract value factor for existing positions in their bookkeeping systems.

Termination of Trading:

For all ten new wet tanker freight forward contracts, trading shall cease on the last business day of the settlement period in respect of the specific contract month. For December contract months, the settlement period shall be from the 1st calendar day of the month to the 24th calendar day of the month inclusive. For all other contract months (i.e. January to November inclusive), the settlement period shall be the full calendar month.

Forwards Clearing:

These contracts are **forwards** – not futures. They are similar to COMEX OTC London Gold Forwards, except that they are cash settled rather than physically delivered. All trades are held open in the clearing system, at original trade price, until maturity. The only exception is that trades may be torn up on request to the Clearing House. On each day prior to maturity, all open trades are marked to market from original trade price to that day's settlement price. The resulting mark-to-market amounts are discounted to present value and netted together, and are then **collateralized** – i.e., they increase or decrease the initial margin (performance bond) requirement. At maturity, the collateralized requirement is unwound, and the final mark to market amount is banked in cash. A separate advisory with the details of forwards clearing will be published shortly.

Regulatory Status:

Customer positions in these products must be held in 30.7 Secured (**not** Segregated) accounts.

Please contact Rob Schroeder (robert.schroeder@cmegroup.com, (212) 299-2755) or Paul Sacristan (paul.sacristan@cmegroup.com, (212) 299-2678) if you have any technical questions regarding these products. For trading information, please call the Marketing hotline at (212) 299-2301.